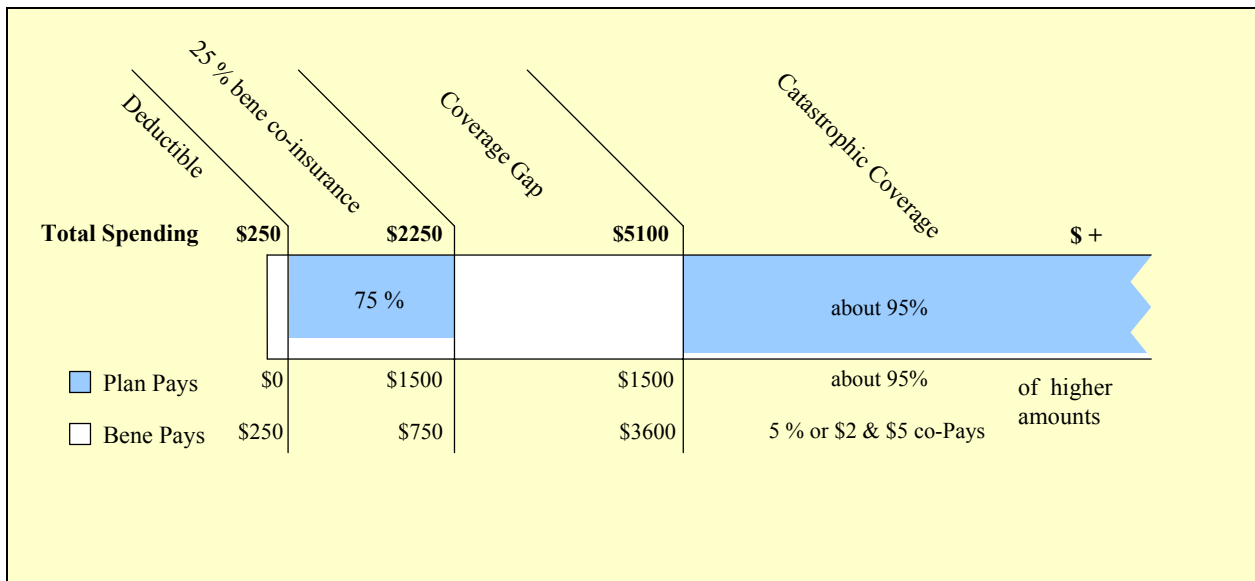


Medicare Prescription Drug, Improvement, and Modernization Act of 2003
THE NEW MEDICARE PRESCRIPTION DRUG BENEFIT
HOW THE BENEFIT WORKS
Section 1860D-2

The new Part D drug benefit has been targeted to provide the most help to seniors who are most in need – people with very low incomes and people with very high drug costs.



The benefit is depicted in the chart above for beneficiaries with incomes over 150% of the federal poverty level (\$13,470 for singles and \$18,180 for couples in 2003) or who have assets above a certain limit (\$10,000 singles, \$20,000 couples, excluding a house and one car). The average premium for the drug benefit is expected to be about \$35 a month.

The standard benefit features a \$250 deductible and 25% beneficiary cost sharing up to an initial coverage limit of \$2250. After that, catastrophic coverage begins once a beneficiary reaches \$3600 in out-of-pocket expenses (\$5100 in total drug spending). To be counted as out-of-pocket expenses, the beneficiary (or another individual, such as a family member) must actually be paying the costs. In general, they cannot be paid by another insurer and count toward the \$3600 limit, though contributions by some state programs do count. In the catastrophic coverage range, the beneficiary pays the greater of 5% cost sharing or \$2 and \$5 co-pays.

In addition, the drug benefit provides enrollees with access to negotiated prices -- significant discounts off of retail. These discounts apply at all times, including when the

beneficiary is in paying the full share between the initial coverage limit and the catastrophic coverage.